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UNCLAS HARARE 001635

SIPDIS

STATE FOR AF/S
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER
USDOC FOR 2037 DIEMOND
TREASURY FOR OREN WYCHE-SHAW
PASS USTR FLORIZELLE LISER
STATE PASS USAID FOR MARJORIE COPSON

[1](#)E. O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [PGOV](#) [ZI](#)

SUBJECT: Govt Outlaws Large Cash Sums

[1](#)1. Summary: Zimbabwe's cash saga continues. The GOZ has made it illegal for anyone to charge a premium for banknotes or possess Z\$5 million (US\$1,000). End summary.

[1](#)2. Meanwhile, the banknote crisis continues unabated. Supermarkets have a higher mark-up on banknotes than on any other product. Throngs of accountholders lining up at banks for their Z\$5,000-10,000 (US\$1-2) daily allotment are commonplace. The crisis has hit hardest Zimbabwe's lower-class. As we've mentioned in other reporting, the Zimbabwe Confederation of Trade Unions (ZCTU) is weighing mass action to protest the GOZ's mismanagement of the country's narrow money supply. The Reserve Bank has also just introduced Zimdollar travel checks as an alternative to money, but recipients must still cash these single-use checks at banks, a nearly impossible feat.

[1](#)3. Comment: Making large piles and the trading of cash illegal will do nothing to resolve the banknote shortage. Trading will continue clandestinely. Most business transactions here are already illegal in some respect. In short, the GOZ is unwilling to acknowledge the Zimdollar's plummeting value. The official press still talks occasionally of printing a Z\$1,000 (US\$.20) note, double the current Z\$500 top bill, but the Reserve Bank would need to print at least a Z\$10,000 (US\$1) note to stay ahead of its rapidly depreciating currency. The cost of printing any note under Z\$10,000 is prohibitive.

Whitehead